

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the April 2005 to the July 2005 *Idaho Economic Forecast*. The April 2005 *Idaho Forecast* is based on Global Insight's March 2005 baseline forecast and the July 2005 *Idaho Forecast* is driven by Global Insight's June 2005 baseline U.S. macroeconomic forecast.

A comparison of several key variables shows how the outlooks for the national and state economies have changed since the April 2005 *Idaho Economic Forecast* was published. A review of the accompanying table shows the magnitude of change varies among key indicators. For example, forecasted real GDP has changed very little compared to the previous projection. It is down slightly (0.2%) in 2005, 2006, and 2007, and up marginally (0.1) in 2008. This narrow difference is partially the result of inflation being higher in this forecast compared to the previous one. National nonfarm employment is also virtually unchanged. However, the total nonfarm employment number masks larger changes to its main categories. Specifically, U.S. goods-producing employment is noticeably lower in each year of this forecast and nongoods-producing employment is slightly stronger. However, the strength of the nongoods-producing category does not offset the weakness in the goods-producing category until 2007. Interestingly, both nominal and real U.S. personal incomes show significant improvement since the previous forecast. Fueled by anticipated stronger wage growth and higher government transfers to individuals, U.S. nominal personal income is about 1% higher in every year of the forecast compared to its April 2005 counterpart. The improvement to real U.S. personal income is smaller thanks to the higher expected inflation, but it is still significant. Specifically, in the current forecast U.S. real personal income is at least 0.5% higher in each year from 2005 to 2007 and 0.9% higher in 2008.

Idaho's economic outlook has also improved relative to the previous forecast. Idaho nonfarm employment displays a broad range increase. Specifically, Gem State goods-producing employment is about 2,600 above the previous forecast in 2005 and this advantage climbs to about 2,900 by 2008. Likewise, nongoods-producing employment is about 2,000 stronger in 2005 and nearly 4,400 stronger by 2008. As a result, Idaho overall nonfarm employment goes from being nearly 4,600 higher in 2005 compared to the previous forecast to about 7,300 higher in 2008. Much of this improvement is a result of the stronger-than-anticipated job growth that took place in the last quarter of 2004 and first quarter of 2005. Idaho nominal personal income was also revised significantly since the previous forecast, which raised the starting point of the current forecast. This contributes to Idaho nominal personal income being \$1.4 billion higher (3.1%) in 2008 than previous forecast and Idaho real personal income being \$1.1 billion higher (2.7%).

**IDAHO ECONOMIC FORECAST
FORECASTS COMPARISON
DIFFERENCES BETWEEN
JULY 2005 AND APRIL 2005 FORECASTS**

	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP (BILLIONS)									
Current \$	0	0	0	0	1	17	23	8	65
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.1%	0.5%
2000 Chain-Weighted	0	0	0	0	0	-21	-26	-23	17
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.2%	-0.2%	0.1%
PERSONAL INCOME - CURR \$									
Idaho (Millions)	0	-36	418	455	679	1,153	1,259	1,277	1,440
% Difference	0.0%	-0.1%	1.2%	1.3%	1.8%	2.9%	3.0%	2.9%	3.1%
U.S. (Billions)	0	0	0	0	18	96	121	115	149
% Difference	0.0%	0.0%	0.0%	0.0%	0.2%	0.9%	1.1%	1.0%	1.2%
PERSONAL INCOME - 2000 \$									
Idaho (Millions)	0	-35	403	431	627	900	913	951	1,086
% Difference	0.0%	-0.1%	1.2%	1.3%	1.8%	2.5%	2.5%	2.5%	2.7%
U.S. (Billions)	0	0	0	0	16	49	54	57	89
% Difference	0.0%	0.0%	0.0%	0.0%	0.2%	0.5%	0.6%	0.6%	0.9%
TOTAL NONFARM EMPLOYMENT									
Idaho	-1	-3	-6	-12	1,068	4,588	4,606	5,143	7,281
% Difference	0.0%	0.0%	0.0%	0.0%	0.2%	0.8%	0.8%	0.8%	1.2%
U.S. (Thousands)	0	0	0	0	0	-35	29	111	543
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%
GOODS PRODUCING SECTOR									
Idaho	-3	-1	-2	-4	382	2,616	2,200	2,118	2,934
% Difference	0.0%	0.0%	0.0%	0.0%	0.4%	2.5%	2.1%	2.0%	2.9%
U.S. (Thousands)	0	0	0	0	0	-22	-134	-170	-126
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.6%	-0.8%	-0.6%
NONGOODS PRODUCING SECTOR									
Idaho	2	-2	-4	-8	686	1,971	2,406	3,025	4,348
% Difference	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	0.5%	0.6%	0.8%
U.S. (Thousands)	0	0	0	0	0	-14	164	282	669
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.6%
FINANCIAL MARKETS									
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.1%	-0.1%	-0.2%
INFLATION									
GDP Price Deflator	0.0	0.0	0.0	0.0	0.0	0.4	0.5	0.3	0.4
Personal Cons Deflator	0.0	0.0	0.0	0.0	0.0	0.5	0.6	0.5	0.4
Consumer Price Index	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Forecast Begins the **SECOND** Quarter of 2005